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STATE FOR EB/IFD/OIA - JN HATCHER, P BROWN
STATE PASS TO USTR
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SUBJECT: JORDAN - INVESTMENT CLIMATE STATEMENT, 2005

REF: 04 STATE 250356

¶1. In response to reftel request, post submits the Investment Climate Statement for 2005 for Jordan. As requested, post will also send a copy of the ICS via email to EB/IFD/OIA.

BEGIN TEXT OF INVESTMENT CLIMATE STATEMENT, JORDAN:

Investment Climate

Openness to Foreign Investment

Since King Abdullah II succeeded to the throne in 1999, Jordan has taken steps to encourage foreign investment. Key reforms have been undertaken in the information technology, pharmaceuticals, tourism, and services sectors. Foreign and domestic investment laws grant specific incentives to industry, agriculture, hotels, hospitals, maritime and rail transportation. Leisure and recreation projects, convention and exhibition centers, transportation and distribution of water, gas, and oil/oil derivatives using pipelines were added to this list. The laws also allow the cabinet flexibility in offering investment incentives to other sectors.

Jordan acceded to the World Trade Organization (WTO) in April 2000. In addition, a U.S.-Jordan Free Trade Agreement (FTA) entered into force on December 17, 2001. In May 2001, the government converted the Aqaba port and surrounding area into a special economic zone (SEZ) offering special incentives to investors (see below). The government is revamping the investment promotion system in Jordan. It is re-examining investment incentives, and is considering the consolidation of all investment promotion activities under a new "Jordanian Agency for Economic Development (JAED)". These developments will likely lead to expanded investment opportunities in Jordan for U.S. investors.

Jordan's investment laws treat foreign and local investors equally, with the following exceptions (as per regulation No. 54 of 2000, entitled "Non Jordanian Investments Promotion Regulation"):

-- Under the terms of the U.S.-Jordan FTA, ownership of periodical publications is restricted to Jordanian natural persons or Jordanian juridical entities wholly owned by Jordanians.

-- Under the same agreement, foreign investors are limited to 60 percent ownership in printing/publishing and in aircraft or vessel maintenance and repair services.

--Also under the FTA, foreign investors are limited to 50 percent ownership in the following businesses and services:

Architectural services
Engineering Services
Urban planning and landscape architectural services
Leasing or rental services relating to other machinery and equipment (excluding engines and turbines)
Advertising Services
Geo-technical testing
Placement and supply services of personnel
Related scientific and technical consulting services (part of CPC 8675), excluding prospecting, surveying, exploration, exploitation and map making.
Motion picture and video- tape production and distribution services
Motion pictures projection services
Sound recording
General Construction Work for Buildings
General Construction Work for Civil Engineering
Installation and Assembly work
Building Completion and Finishing Work excluding site preparation work for mining
Wholesale Trade (Except wholesale trade of firearms or pharmaceuticals)
Retailing Services (Except retail trade of pharmaceuticals)

Franchising
Refuse Disposal Services: Collection and treatment of solid waste
services (part of CPC 9402) excluding collection and treatment of
hazardous waste.
Agency services
Hotel and Motel Lodging services, excluding casinos
Meal serving services with full restaurant services
Meal serving services in Self-serving facilities (cafeterias)
Beverage serving services for consumption on the premises, excluding
casinos
Air catering services
Travel agencies and tour operators
Passenger transportation
Freight transportation
Rental services of sea-going vessels with operator
Storage and warehousing services
Shipping agents
Maritime freight forwarding services
Food supply catering
Rental of vessels with crew
Maintenance and repair of vessels
Pushing and towing services
Computer reservations systems
Freight forwarding services
Packing, crating and de-packing
Freight inspection services, excluding pre-shipment inspection for
customs valuation purposes on imports

The FTA Annex 3.1 has a complete listing of limitations on investments and may be found at the following internet address:

http://www.jordanembassyus.org/new/commercial /fta/annex3_1jo.pdf

-- Foreign investors may not have whole or partial ownership of:

-- Investigation and security services;

-- Sports clubs (except for health clubs)

-- Stone quarrying for construction purposes

-- Customs clearance services

-- Land transportation of passengers and cargo using trucks, buses and taxis.

A minimum capital requirement of JD 50,000 (US $70,000) is set for foreign investors. This requirement does not apply to participation in public shareholding companies.

There is no formal screening or host government selection process for foreign investment. However, investors in large projects find that the informal approval of local and central government officials helps to ensure governmental cooperation in project implementation.

The law stipulates that expropriation is prohibited unless deemed in the public interest. It provides for fair compensation to the investor in convertible currency.

The government plans to accelerate and broaden the privatization program. As regards the power sector, the Jordanian Government has created separate generation, transmission, and distribution companies (CEGCO, IDCECO and EDCO) and has established an effective regulatory body for the industry. A new electricity law has been passed paving the way for the privatization of the sector through a new regulatory and tariff regime.

The GOJ sold its remaining 14.3% stake of the Jordan Cement Factories Company to the social security corporation in February 2002. 10.5% of Jordan Telecom shares were sold by the GOJ via an initial public offering (IPO) in October ¶2002. In October 2003, the GOJ sold half of its 52% stake in the Arab Potash Company to a strategic Canadian partner. The Government is committed to hold its remaining 26% in the company until the end of 2006, when it may arrange to sell the balance of its shares. The government continues to consider its options in the privatization of Royal Jordanian (RJ) Airline's operating division. The government concluded the sale of 80 percent of RJ's aircraft maintenance division. RJ's engine overhaul facility is also for sale. In addition, the government is conducting a study of the Jordan Civil Aviation Authority with the goal of privatizing all but its core regulatory functions. Non-core areas likely to be sold off or put under private management in the medium term include all three civil airports, an aviation services training school, and an airport hotel.

Jordan has also announced that it intends to sell a majority stake as well as management control in the Jordan Phosphate Mines Company. A management contract for the handling of the container terminal in the port of Aqaba was signed with a Danish company in March 2004. An international consortium has arranged to develop a 400 km gas-pipeline from Aqaba to Syria on a BOO basis, to be completed by late 2005. The postal service has been transformed into a public shareholding company pending its eventual privatization. The year 2004 did not witness the conclusion of any major privatization deals. The Government expects to conclude major deals in 2005 in the electricity generation and distribution sectors and the Phosphate company. The government also expects to sell a portion of its shares in Jordan Telecom (about 40% of the company), and other investments managed by Jordan Investment Corporation.

While these efforts have combined to make Jordan's investment climate more welcoming, some large U.S. investors reported "hidden costs" when investing in Jordan due to bureaucracy, red tape, vague regulations and conflicting jurisdictions. Investors should execute due diligence in exploring investment opportunities and concluding purchases.

Conversion and Transfer Policies

Jordan's liberal foreign exchange law entitles foreign investors to remit abroad, in a fully convertible foreign currency, foreign capital invested, including all returns, profits, and proceeds arising from the liquidation of investment projects. Non-Jordanian administrative and technical employees are permitted to transfer their salaries and compensation abroad.

The Jordanian Dinar is fully convertible for all commercial and capital transactions. The JD is pegged to the U.S. dollar at an exchange rate of approximately 1 JD to US $1.41.

Licensed money-exchangers are supervised by the central bank, but are free to set their own exchange rates depending on market conditions. Unlike banks, they do not pay the central bank commissions for exchange transactions, giving them a competitive edge over banks.

Other foreign exchange regulations include:

--Non-residents are allowed to open bank accounts in foreign currencies. These accounts are exempted from all transfer-related commission fees charged by the central bank.

-- Banks are permitted to purchase an unlimited amount of foreign currency from their clients in exchange for JD on a forward basis. Banks are permitted to engage in reverse operations involving the selling of foreign currency in exchange for JD on a forward deal basis for the purpose of covering the value of imports.

-- There are no restrictions on the amount of foreign currency that residents may hold in bank accounts, and there are no ceilings on the amount residents are permitted to transfer abroad.

-- Banks do not require prior central bank approval for the transfer of funds, including investment-related transfers.

Expropriations and Compensation

There are no known cases where the government has expropriated the private property of an investor.

Dispute Settlement

Under Jordanian law, foreign investors may seek third party arbitration or an internationally recognized settlement of disputes. The Jordanian government recognizes decisions issued by the International Center for the Settlement of Investment Disputes (ICSID), of which it is a member. Jordan is also a member of the New York Convention of 1958 on the recognition and enforcement of foreign arbitral awards. In cases where the government (or its agencies) is a party to the dispute, it generally prefers settlement in local courts if an out-of-court settlement is not forthcoming. Jordan abides by WTO dispute settlement mechanisms. Dispute settlement mechanisms under the FTA are consistent with WTO commitments.

Article IX of the Bilateral Investment Treaty (BIT), establishes procedures for dispute settlement.

A dispute between a U.S. investor and the Jordanian government that was brought before an ICSID tribunal in 2002 was settled in May 2004.

In another instance, a foreign company investing in a joint

venture with a state-owned Jordanian corporation found that the management contract for that Jordanian SOE partner had been given to a rival without prior consultation. The foreign investor is currently engaged with the GOJ in exploring options for extrication of the SOE from the partnership.

Jordan's Legal System

In the legislative process, draft laws are prepared by various ministries, which are then submitted to the cabinet and subsequently presented to the lower house of parliament for consideration. Once passed by the lower house, draft laws must be approved by the Senate. All laws require royal assent and must be published in the National Gazette before they come into force.

According to the constitution, the judiciary is independent of other branches of the government. In some cases, it is susceptible to political pressure and interference by the executive.

The constitution classifies the judiciary into three categories: religious courts, special courts (e.g., Military court, Customs court, Income Tax Court) and regular courts. Verdicts rendered by the Jordanian judiciary are based on decisions made by a judge or a panel of judges.

General legal provisions are incorporated within the Civil Code, unless a separate, more specialized law governs the nature of the specific relationship.

Commercial activities are governed by the Commercial Code. Business contracts, such as commercial agency and commission agency contracts, are subject to the code's provisions. Financial papers such as checks and promissory notes are also dealt with under the Commercial Code.

Various provisions in the Commercial Code, the Civil Code, and the Companies Law govern bankruptcy and insolvency. A temporary Bankruptcy Law came into force in 2002.

Performance Requirements/Incentives

Following Jordan's accession to the WTO, the Trade-Related Investment Measures (TRIMS) agreement came into force. Investment and commercial laws do not contain any trade-restrictive investment measures and have generally been in compliance with TRIMS.

Investment incentives take the form of income tax and custom-duties exemptions, which are granted to both Jordanian and foreign investors.

The country is divided into three development areas: Zones A, B, and C. Investments in Zone C, the least developed areas of Jordan, receive the highest level of exemptions.

However, all agricultural, maritime transport, and railway investments are classified as Zone C, irrespective of location. Hotel and tourism-related projects set up along the Dead Sea coastal area, leisure and recreational compounds, and convention and exhibition centers receive Zone A designations. Qualifying industrial zones (QIZS) are Zoned according to their geographical location, unless they apply for an exemption. The three-zone classification scheme does not apply to nature reserves and environmental protection areas, which are granted special consideration.

Specifically, the Investment Promotion Law allows:

-- Exemptions from income and social services taxes of up to ten years for projects approved by the Investment Promotion Committee (which includes senior officials from the Ministry of Industry and Trade, Income Tax Department, Customs Department, the private sector, and the Director General of the Jordan Investment Board), in accordance with the designated zone scheme:

-- 25 percent tax exemption for Zone A

-- 50 percent tax exemptions for Zone B

-- 75 percent tax exemptions for Zone C

An additional year of these tax exemptions is granted to projects each time they undergo expansion, modernization, or development resulting in a 25 percent increase in their production capacity for a maximum of four years.

-- Capital goods are exempt from duties and taxes if delivered within three years from the date of the investment promotion committee's approval. The committee may extend the three-year period if necessary.

-- Imported spare parts related to a specific project are exempt from duties and taxes, provided that their value does not exceed 15 percent of the value of fixed assets requiring spare parts. They should be imported within ten years from

the production date.

-- Capital goods used for expansion and modernization of a project are exempt from duties and taxes, provided they result in at least a 25 percent increase in production capacity.

-- Hotel and hospital projects receive exemptions from duties and taxes on furniture and supply purchases, which are required for modernization and renewal once every seven years.

-- Increases in the value of imported capital goods are exempt from duties and taxes if the increases result from higher freight charges or changes in the exchange rate.

--In addition to the Investment Promotion Law, additional exemptions are granted to investments within industrial estates designated as Special Industrial Zones.

-- Industrial projects are granted exemptions on income and social services taxes for a two-year period. Established industrial facilities that relocate to an industrial estate also receive this benefit.

-- Industrial projects are granted property tax exemptions throughout their lifetime.

-- Industrial projects are granted partial or full exemptions from most municipality and planning fees.

To promote exports, all exporters are granted the following incentives:

-- Net profits generated from most export revenues are fully exempt from income tax. Exceptions include fertilizer, phosphate, and potash exports, in addition to exports governed by specific trade protocols and foreign debt repayment schemes. Under the WTO, the exemption is extended until the end of 2005 and is expected to be extended again, on annual bases, until the end of 2007.

-- Foreign inputs used in the production of exports are exempt from custom duties and all additional import fees on a reimbursable or drawback basis.

In addition, Qualifying Industrial Zone investments may be eligible for further incentives and exemptions. For example, at the end of 2004 the government was considering lowering banks' guarantees and guest workers' work fees in all QIZ factories. Studies had commenced to examine means to ease and speed up the transport of QIZ production input and output materials.

Foreign investors can bid for government-commissioned research and development programs that are slated for international or mixed bidders. Otherwise, they have to find a Jordanian partner. This qualification will be dropped once Jordan accedes to the WTO'S Government Procurement Agreement (GPA), for which it submitted an entities offer in 2004.

Investors have been hampered by a performance requirement related to imports -- the so-called DAMAN program -- a product conformity standards measure that has been enforced through pre-shipment inspections. The program has not been implemented in a transparent manner and appears to be inconsistent with WTO principles of national treatment and non-discrimination. The government was looking into means to correct the problems with DAMAN at the end of 2004.

Right to Private Ownership and Establishment

In general, the laws on investment and property ownership permit domestic and foreign entities to establish and own businesses and engage in remunerative activities. However, activities relevant to military and national security are subject to different provisions and procedures.

Foreign companies may open representative (regional) and branch offices; branch offices may carry out full business activities, while regional offices may serve as liaisons between head offices and Jordanian or regional clients. The Ministry of Industry and Trade manages the government's policy on setting up regional and branch offices.

No foreign firm may import goods without appointing an agent registered in Jordan; the agent may be a branch office or a wholly owned subsidiary of the foreign firm, notwithstanding the limitations on foreign ownership in certain sectors. The agent's connection to the foreign company must be direct, without a sub-agent or intermediary. A Commercial Agents and Intermediaries Law governs the contract between foreign firms and commercial agents. It clearly delineates the distinction between commercial agency and distribution contracts relationships. Private foreign entities, whether

licensed under sole foreign ownership or as a joint venture, compete on an equal basis with local companies.

Foreign nationals and firms are permitted to own or lease property in Jordan for investment purposes and personal use, provided that their home country permits reciprocal property ownership rights for Jordanians; property intended for investment should be developed within five years from the date of approval. Depending on the size and location of the property, the Lands and Surveys Department, its Director General, the Minister of Finance or the Cabinet are the authorities that approve foreign ownership of land and property. Foreign companies holding a majority share in a Jordanian company, as well as wholly owned subsidiaries, automatically obtain national treatment with respect to ownership of land where the company's business objectives require (e.g., agriculture), or allow for, ownership of land or real estate.

Protection of Property Rights

Interest in property (moveable and real) is recognized, enforced and recorded through reliable legal processes. The legal system facilitates and protects the acquisition and disposition of all property rights.

Prior to its accession to the WTO, Jordan passed several new laws to improve protection of intellectual property rights (IPR), patents, copyrights, and trademarks. TRIPS (Trade Related Aspects of Intellectual Property Rights)-consistent laws now protect trade secrets, plant varieties and semiconductor chip designs. The law requires registration of copyrights, patents and trademarks. Copyrights must be registered at the National Library, part of the Ministry of Industry and Trade. Patents must be registered with the Registrar of Patents and trademarks at the Ministry of Industry and Trade. Jordan has signed the Patent Cooperation Treaty and to the protocol relating to the Madrid Agreement Concerning the Registration of Marks but ratification was still pending at the end of 2004.

Jordan's pharmaceutical industry generally abides by the new TRIPS-consistent Patent Law. In addition, in signing the FTA, Jordan committed to even stronger enforcement of IPR, particularly in the pharmaceutical sector. It acceded to the World Intellectual Property Organization (WIPO) treaties on copyrights (WCT) and performances and phonographs (WPPT). Jordanian firms are now seeking joint ventures and licensing agreements with multinational partners.

Jordan's record on IPR enforcement has improved. However, effective enforcement mechanisms and legal procedures are still not completed and are in need of further refinement. As a result, the government's record on IPR protection remains mixed. A sizeable portion of videos and software sold in the marketplace continues to be pirated. Enforcement action against audio/video and software piracy is growing in quantity and improving in its targeting capability, but successful prosecution of piracy cases remains spotty.

Transparency of the Regulatory System

The government is slowly implementing policies to improve competition and foster transparency. These reforms aim to change an existing system that can be influenced greatly by family affiliations and business ties. Although in many instances bureaucratic procedures have been streamlined, red tape and opaque procedures still present problems for foreign and domestic investors. The arbitrary application of customs, tax, labor, health and other laws or regulations, particularly at the level of local government, have impeded investment.
In 2004, the government continued its aggressive strategy to promote e-government. The government has pledged to make its services, regulations, and procurement procedures more accessible and transparent via e-government.
Efficient Capital Markets and Portfolio Investment
Jordan's capital market capitalization reached US $17.8 billion at the end of Nov 2004 (around 187 percent of GDP), breaking the record since the exchange was established in ¶1978.

The Amman Financial Market (AFM) is divided among the Jordan Securities Commission (JSC), the Amman Stock Exchange (ASE) and the Securities Depository Center (SDC). The SDC is the custodian for all transaction contracts, clearing and settlement. The JSC was established as the government's supervisory and monitoring agency for the capital market in Jordan. The government passed the Securities Law in 2002, which brought it more in line with international best practices.

There are 31 brokerage firms and 191 listed public-shareholding companies on the ASE that cover the First and Second markets. At the end of November 2004, shares owned

by non-Jordanians represented 41.2 percent of the ASE market capitalization, where Arab investors own 31.2 percent and other foreigners own 10 percent.

The ASE also suffers from intermittent liquidity problems, which have ensured that the bourse remains prone to speculative movements. Structural problems (such as lack of transparency, corporate governance, and the dearth of mutual funds) have been exacerbated by the insufficiency of institutional buying and wavering investor confidence.

The Central Bank, on behalf of the Ministry of Finance, conducts regular auctions of six-month treasury bills and three-year treasury bonds. Treasury bonds and bills and development bonds (equivalent to Treasury Bonds) are listed on the ASE. Monthly trading volume averages for the first 11 month of 2004 were JD 293 million (US $413 million) and reached JD 481 million (US $679 million) in November 2004. Despite this low volume, markets are actively quoted on development bonds each trading day. These quotes provide the basis for the benchmark yield curve published daily on the Central Bank Reuters pages and in the local Arabic newspapers. The Ministry of Finance has been issuing bonds of differing maturities since 2002, lengthening the yield curve. The Central Bank also introduced a primary dealer plan designed to increase liquidity in the secondary market, though the program has to this point been unsuccessful in achieving this goal. A Public Debt Law allows for an increase in the volume of bond and bill issuance by the Treasury.

Government bond and bill ownership is registered in book-entry form at the Central Bank. Commercial banks maintain sub-registries. Foreign investors are welcome to participate in auctions and to purchase government securities.

The corporate bond market remains under-developed, and continues to be over-shadowed by traditional direct lending. One reason is rigid interest rates; another relates to the absence of a secondary market for such issues. Increasingly, however, some banks have started introducing new products and corporate bond issues. New bond issues for the first 11 months of 2004 totaled JD 173 million (US $244 million), compared to JD 57.5 million (US $81 million) in ¶2003.

One flaw in the credit market is the lack of long-term credit, owing to the short-term nature of banks' deposit structure. On average, regular corporate loans are extended for periods of 1-3 years, while syndicated loans may reach up to 7 years. Long-term financing had been stymied by the Ottoman-era law stipulating that total interest payments over the life of a bond could not be greater than the principal amount, thus effectively impeding the development of longer-maturity fixed-income instruments. However, the Public Debt law scrapped this requirement, allowing for longer maturities and increased volumes.

The absence of long-term credit discourages projects requiring long development periods. As a consequence, large investment projects often resort to foreign markets to raise capital.

The Central Bank of Jordan (CBJ) is the banking system's regulatory authority. Jordanian banks have recovered from an economic slow-down of the late-1990s, and in 2004 the CBJ estimated that non-performing loans totaled less than 20 percent of all loans.
A banking law, which aims at improving the industry's efficiency, came into force in 2000. The law protects depositors' interests, diminishes money market risk, guards against the concentration of lending, and includes articles on new banking practices (e-commerce and e-banking) and money laundering. The CBJ has issued a number of circulars throughout 2003-2004 to implement money-laundering regulations that are consistent with the recommendations of the OECD's Financial Action Task Force, and has recently drafted a law to codify these regulations. It also allows market forces greater influence to encourage the development of financial markets. In addition, the CBJ set up a separate and independent Deposit Insurance Corporation in late 2000 that ensures deposits of up to JD 10,000 (US $14,000). The corporation also acts as the liquidator of banks as directed by the CBJ.

The CBJ established a credit bureau for bounced checks in ¶2001. The bureau requires banks to report on a timely basis the names of account holders with bounced checks. Following a third report of a bounced check, the CBJ circulates the names of the account holders to all banks with instructions to withhold check-books and any other facilities for a certain period of time.

As of the end of 2003, the Arab Bank and the Housing Bank were the two largest banks in Jordan, with total assets of

JD 17.4 billion (US $24.5 billion) and JD 1.6 billion (US $2.2 billion), respectively. The difference between their asset bases owes to the vast difference in their scope of operations; the Arab Bank has a worldwide presence, while the Housing Bank's prime focus is the local market. Although the Central Bank distinguishes between "investment banks" and "commercial banks", there are no significant differences in the operations of the two.

Banks offer loans, discounted bills, and overdraft facilities. Investment banks are not permitted to extend overdraft facilities. The Central Bank permits banks to extend loans and credit facilities in foreign currency. In such cases, it requires debt repayment to be in the denominated foreign currency.

A number of banks have established mutual funds. New capital instruments such as commercial paper and convertible bonds are under consideration. In addition to long-term instruments, securitization, short-selling, and treasury stocks are being introduced in some banks.

A banking scandal that reportedly involved fraudulent activity and embezzlement of around US $120 million emerged in February 2002 and involved some prominent Jordanians and loans drawn from three banks. However, the Central Bank took adequate action to reassure depositors and restore calm to the market. In addition, the sector did not suffer any significant shocks during the 2003 war in Iraq either due to significant exposure to trade with Iraq or to runs on bank deposits at the outbreak of the conflict. As a result, the health of the banking system and its resilience are not in question. Iraqi Government assets in Jordanian banks were frozen in early 2003 and US $250 million was returned to the Development Fund for Iraq.

With respect to ownership and participation in the major economic sectors in Jordan, there is no apparent discrimination against foreign participation. In fact, many Jordanian businesses seek foreign partners, which are perceived as the key to increased competitiveness and easier entry into international markets.
There are a number of internationally recognized accounting and auditing firms in Jordan. The government's accounting and auditing regulations are consistent with international standards and are internationally recognized.

Political Violence

Some incidents of political violence and terrorist activities have occurred in Jordan, though these have not directly affected foreign business interests. While Jordan enjoys political stability, events in the region, particularly in the West Bank and Gaza, can trigger small demonstrations and anti-U.S. hostility.

The government of Jordan is proactive in maintaining public security, containing demonstrations and preventing terrorist attacks. The potential for politically motivated violence, however, remains. Visitors should consult current State Department public announcements.

Corruption

Corruption is a crime in Jordan. The General Intelligence Directorate (GID) has an anti-corruption department that is responsible for combating bribery, extortion, and other similar crimes. Attempts to establish similar, transparent entities outside the security service so far have not been successful. A draft financial disclosure law requiring public office holders and specified government officials to declare their assets is under consideration in parliament.

Influence peddling and a lack of transparency have been alleged in government procurement and dispute settlement. "Wasta", the use of family, business, and other personal connections to advance personal business interests, is endemic.

Bilateral Trade/Investment Agreements

A Free Trade Agreement (FTA) between the U.S. and Jordan entered into force in December 2001. The agreement mandates that a free trade area between the two countries will be attained following a gradual phasing out of import duties and other trade barriers over ten years. The agreement incorporates labor, environmental, and intellectual property rights provisions.

A Bilateral Investment Treaty between Jordan and the United States entered into force in 2003. The agreement provides reciprocal protection of Jordanian and U.S. individual and corporate investments.

Jordan is a member of a pan-Arab accord on facilitating the movement of capital between Arab countries. Countries that

have signed the accord include Jordan, UAE, Bahrain, Tunisia, Saudi Arabia, Iraq, Oman, Kuwait, Libya, Egypt, Morocco, Qatar, Syria, and Lebanon.

An economic association agreement between Jordan and the European Union that establishes free trade over a twelve-year period entered into force in 2002. This agreement calls for the free movement of capital, as well as cooperation on development and political issues.

In 2004, Jordan signed a Free Trade Agreement with Singapore. In the same year, Jordan completed the Agadir trade agreement with Egypt, Morocco, and Tunisia and upgraded its trade agreement with Israel to take advantage of accumulation of content provisions in the EU's Pan-Euro-Mediterranean trade rules of origin.

OPIC and other Investment Insurance Programs

Investments in Jordan are eligible for Overseas Private Investment Corporation (OPIC) insurance and private financing.

Jordan is also a member of the Multilateral Investment Guarantee Agency (MIGA), a World Bank Agency, which guarantees investment against non-commercial risks such as civil war, nationalization, policy changes, etc. The program covers investments in Jordan irrespective of the investor's nationality, in addition to covering Jordanian investments abroad.

Several European countries have official debt-for-equity swap programs that are open to investors of all nationalities.

Labor

The rate of population growth (births minus deaths) is about 2.5 percent a year. 50% of the population is under the age of 20. In general, the labor force is well educated. Literacy rates approach 94.5 percent for men and 83.5 percent for women. Jordan has a labor force of 1.17 million and an unemployment rate of approximately 12.5 percent.

The officially estimated 140,000 foreign laborers in Jordan work primarily in unskilled sectors, such as construction, agriculture, and domestic service. They constitute around 12 percent of the labor force. The Ministry of Labor regulates foreign worker licensing, licensing fees, prohibited sectors, and employer liability. Among its responsibilities, the ministry approves the hiring of professional foreign workers by private businesses. Non-citizens are not permitted by law to join unions, though the Ministry of Industry and Trade maintains that such workers enjoy any benefits and protections that unions obtain.

Labor unions serve primarily as intermediaries between workers and the Ministry of Labor, and may engage in collective bargaining on behalf of workers. In order to strike, workers must obtain permission from the government. Currently, about 30 percent of the total labor force, including government service, is unionized. However, this figure includes numerous professional associations where membership is mandatory.

Article 28 of the Labor Law specifies the conditions under which an employer can discharge a worker without notice. Article 31 allows employers to lay off employees if economic or technical circumstances necessitate reorganization. The law does not require employers to include retirement plans in their employment package. However, if the employer agreed to provide retirement benefits when the worker was contracted, the employer must fulfill his/her commitment. The Social Security Law stipulates that if the employer has more than five employees, they must be enrolled in the social security system. The Labor Law also addresses worker compensation and outlines compensatory categories for work-related injuries. Article 67 provides unpaid maternity leave for a maximum of one year for mothers working in firms employing 10 or more workers, and article 70 requires full pay for 10 weeks of maternity leave. The law provides for 14 calendar days of annual leave for employees during the first five years with the employer, and 21 calendar days after five years of successive service. This law places Jordan in compliance with international and Arab labor agreements.

Foreign Trade Zones/Free Ports

The Zarqa Free Zone is Jordan's major free zone area. Other areas include the Sahab Industrial Estate Free Zone, Queen Alia International Airport Free Zone, and the Gateway Qualifying Industrial Zone.

In May 2001, the government converted the Aqaba port and surrounding area into a special economic zone (SEZ) with

streamlined bureaucracy, lower taxes, and facilitated customs handling.

Both Jordanian and foreign investors are permitted to invest in trade, services, and industrial projects in free zones. Industrial projects must fulfill one of the following conditions:

-- New industries which depend on advanced technology;

-- Industries requiring raw material and/or locally manufactured parts that are locally available;

-- Industries that complement domestic industries;

-- Industries that enhance labor skills and promote technical know-how;

-- Industries providing consumer goods, and that contribute to reducing market dependency on imported goods.

The following incentives are granted to investors in the designated free zones:

-- Profits are exempt from income and social services taxes for a period of twelve years, with the exception of profits generated from storage services that involve goods released to the domestic market.

-- Salaries and allowances payable TO non-Jordanian employees are exempt from income and social services taxes.

-- Goods imported to and/or exported from free zones are exempt from import taxes and customs duties, with the exception of goods released to the domestic market.

-- Industrial goods manufactured in free zones enjoy partial customs duties exemption once released to the domestic market, depending on the proportion of the value of local inputs and locally incurred production costs.

-- Construction projects are exempt from licensing fees and urban property taxes.

-- Free transfer of capital invested in free zones, including profits.

Qualifying Industrial Zones (QIZ)

Approved goods produced in a "Qualifying Industrial Zone" (QIZ) can be imported into the United States free of duty if they involve economic cooperation between Jordan and Israel, and if 35 percent of the product's content comes from the QIZ, Israel, and/or the West Bank/Gaza. This makes investment in a QIZ particularly attractive to industries whose products are assessed with high tariffs when they are imported into the U.S. There are currently 13 QIZs, three of which are publicly owned; the remaining ten are privately owned. As of December 2004, the bulk of QIZ exporters have been concentrating on garment exports. Since 1999, the QIZs have attracted US $450 million in capital investments, generated over US $2 billion in exports to the U.S., and created over 40,000 new jobs.

Foreign Direct Investment Statistics

Official statistics on foreign direct investment (FDI) are not publicly available.

The UNCTAD's world development report 2003 estimates FDI inflows into Jordan at US $787 million, $100 million and $56 million for 2000, 2001 and 2002 respectively. The Jordan Investment Board approved foreign investment projects worth about US $185 million, $118 million and $134 million for the years 2002, 2003 and 2004, respectively. The following statistics should be interpreted as indicating trends rather than exact figures. Note that figures may differ from previous years due to revisions in the data series.

Total Registered Capital by Economic Sector
(`000 Jordanian Dinars at year end)
(1 JD= US $1.41)

Sector	2002	2003	2004
Industry	770,809	784,879	795,950
Foreign	26.3%	26.3%	26.2%
Trade	1,146,173	1,192,243	1,246,689
foreign	12.9%	14.4%	15.2%
Agriculture	39,798	39,934	

			40,272
foreign	50.3%	50.1%	49.8%
Construction	238,137	242,981	249,930
foreign	1.4%	1.5%	1.5%
Services	1,833,598	1,867,051	1,945,303
foreign	47.2%	46.7%	45.5%
Others	3,029,948	3,235,911	3,364,091
foreign	35.5%	37.6%	37.4%
Total	7,058,463	7,362,999	7,642,236
foreign	32.8%	33.8%	33.6%

Annual Registered Capital Inflows by Economic Sector (`000 USD)

Sector	2002	2003	2004
Industry	9,297	14,069	11,072
foreign	21.6%	22.6%	19.9%
Trade	25,515	46,070	54,446
foreign	29.1%	52.5%	33.6%
Agriculture	612	136	339
foreign	26.5%	0.0%	20.8%
Construction	6,516	4,844	6,949
foreign	0.0%	6.3%	2.1%
Services	31,528	33,453	78,252
foreign	19.2%	14.8%	17.1%
Others	107,383	205,963	128,180
foreign	24.1%	69.4%	32.0%
Total	180,851	304,536	279,237
foreign	23.0%	57.6%	26.9%

(* The Percentage Figure Reflects the Size of Foreign Capital to Total Capital)
(Source: Ministry of Industry and Trade)

According to these measurements, FDI Stock and FDI Inflows as a percentage of GDP at current market prices are:

	2002	2003	2004
GDP (JD million)	6,699	7,056	7,670
GDP (US $million)	9,449	9,952	10,818
FDI Stock	24.5%	25.0%	23.7%
FDI Inflows	1.9%	3.1%	2.6%

Total Foreign Registered Capital by Country of Origin (`000 USD)

	2002	2003	2004
Total	7,058,463	7,362,999	7,642,236
JORDANIAN	4,744,620	4,873,601	5,077,766
DANISH (1)	470,554	470,571	470,571
SAUDI	325,642	328,843	337,034
IRAQI	246,873	263,101	294,944
EGYPTIAN	94,208	222,469	226,464
KUWAITI	187,391	187,532	188,396
SYRIAN	156,241	158,785	162,760
UAE	148,163	155,568	155,988
BRITISH	86,796	89,091	90,625
AMERICAN	80,922	81,723	84,310

LIBYAN	61,347	61,629	61,770
QATARI	47,849	48,145	48,301
BAHRAINI	42,783	42,935	43,312
LEBANESE	35,773	36,963	38,531
INDIAN	35,681	36,379	37,186
PALESTINIAN	32,029	33,146	34,238
SUDANESE	24,305	24,305	24,587

(Source: Ministry of Industry and Trade)

NOTE ON THE DANISH INVESTMENT:
¶1. On March 1, 2001 the Arab Bank/France Telecom consortium, the main partner in JT, had adjusted the Atlas Services Denmark (France Telecom) shares from 88,000 to 331,767,744. Since the consortium was originally registered on Jan 17, 2000, this capital adjustment is reflected in the Foreign Registered Capital for the Year 2000. France Telecom is using a Danish subsidiary/arm to invest in the consortium, hence the investment is showing as Danish.

END TEXT OF INVESTMENT CLIMATE STATEMENT

HALE